

## Message Text

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60

ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06 OES-06 L-03

/044 R

DRAFTED BY EB/TCA/MA:REJOHE:EW

APPROVED BY EB/TCA/MA:RKBANK

MARAD:FRAITER/SPARDUE

FMC:DWOOTEN (INFO)

EB/AVP:SKEITER (INFO)

EUR/WE:HMOEN

EUR/RPE:RBRESLER (INFO)

----- 130510

R 030032Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY ROME

LIMITED OFFICIAL USE STATE 165644

E.O. 11652: N/A

TAGS:EWWT, EAIR, EFIN, IT

SUBJECT: ITALIAN COMMERCIAL PRACTICES: PRIOR DEPOSIT  
PROGRAM REGARDING AIRLINES AND STEAMSHIP LINES

REF: ROME 10050

1. DEPARTMENT RECEIVED JUNE 28 A COPY OF A LETTER SENT  
FROM THE PRESIDENT OF AMERICAN EXPORT LINES (AEL) TO  
THE MARITIME ADMINISTRATION (MARAD) REGARDING THE PRIOR  
DEPOSIT ISSUE. AEL CLAIMS THAT THE ITALIAN GOVERNMENT'S  
DECREE OF MAY 6, 1976 REGARDING THIS MATTER IS  
"BLATANTLY DISCRIMINATORY TO AMERICAN-FLAG VESSELS."  
FURTHERMORE, AEL REQUESTED IN THE LETTER THAT UNDER THE  
REQUIREMENT OF PUBLIC RESOLUTION (PR) 17 THAT ALL  
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"CURRENT EXPORT-IMPORT BANK LOANS, AND ANY FUTURE LOANS  
UNDER SUCH FINANCING MOVE 100 PER CENT ON AMERICAN-FLAG  
VESSELS AND NO WAIVERS BE GRANTED. FURTHER, IT IS  
REQUESTED THAT ANY AND ALL UNITED STATES GOVERNMENT

IMPELLED CARGOES TO AND FROM ITALY NOT BE GRANTED WAIVERS UNTIL SUCH DISCRIMINATION TO AMERICAN FLAG VESSELS ON THE PART OF THE ITALIAN GOVERNMENT CEASES." THE DEPARTMENT EXPECTS SEA-LAND SERVICES, INC. TO SUBMIT A SIMILAR LETTER TO MARAD.

2. FYI: UNDER PR 17, 100 PER CENT OF ALL EXIMBANK-FINANCED CARGOES MUST BE SHIPPED ON US-FLAG VESSELS. HOWEVER, MARAD MAY, UPON REQUEST, GRANT WAIVERS WHICH WOULD PERMIT UP TO 50 PER CENT OF SUCH CARGO TO BE SHIPPED ON THE FLAG VESSELS OF THE RECIPIENT STATE SO LONG AS THAT STATE DOES NOT DISCRIMINATE AGAINST US-FLAG VESSELS. TO DATE, ITALY HAS NOT REQUESTED WAIVERS FROM MARAD ON THE 169 MILLION DOLLARS OF OUTSTANDING EXIMBANK-FINANCED CARGOES. WITH AN AVERAGE FREIGHT RATE BEING APPROXIMATELY 7 PER CENT OF THE CARGO COSTS, APPROXIMATELY 5.92 MILLION DOLLARS IN FREIGHT COSTS COULD EVENTUALLY BE GRANTED TO ITALIAN-FLAG VESSELS IF THEY REQUEST WAIVERS. IN A LIKE MANNER, THESE WAIVERS COULD BE DENIED TO ITALIAN-FLAG VESSELS IF THIS ACTIVITY CONTINUES. END FYI.

3. WHILE MARAD HAS AS A MATTER OF CUSTOM AND COURTESY ALWAYS REQUESTED THE DEPARTMENT OF STATE TO INTERCEDE IN AN ATTEMPT TO HAVE DISCRIMINATORY PRACTICES REMOVED, MARAD IS UNDER NO LEGAL OBLIGATION TO DO SO. BY UNILATERAL ACTION, MARAD CAN ABRUPTLY TERMINATE EXISTING WAIVERS AND ALSO DENY FUTURE WAIVERS IF THE DISCRIMINATION IS NOT REMOVED.

4. FROM THE TENOR OF THE EMBASSY'S COMMENTS IN PARA 1, REFTEL, EMBASSY IS AWARE OF OTHER MEASURES AVAILABLE UNDER US LEGISLATION, I.E. SECTION 19, MERCHANT MARINE ACT, 1920 AND ACTION UNDER SECTION 301, 1974 TRADE ACT, TO COUNTER DISCRIMINATORY PRACTICES. FYI: WHILE ACTION UNDER THESE TWO PROVISIONS INVOLVES A MORE LENGTHY PROCEDURE AND THUS ARE TIME CONSUMING, THE REVOCATION  
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OF THE WAIVERS UNDER PR 17 MAY BE QUITE RAPID. END FYI.

5. REQUEST EMBASSY RELAY THE THRUST OF AEL'S COMPLAINT TO APPROPRIATE ITALIAN OFFICIALS. YOU MAY WISH TO ADD THAT ADDITIONAL COMPLAINTS ARE POSSIBLY FORTHCOMING. EMBASSY MAY ALSO WISH TO STRESS THE GROWING IMPATIENCE OF US-FLAG CARRIERS WITH THIS ENTIRE ISSUE AND THAT THE ACTIONS DESCRIBED ABOVE MAY BE FORTHCOMING IF THE DISCRIMINATION IS NOT REMOVED. KISSINGER

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<< END OF DOCUMENT >>

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**TAGS:** EWWT, EAIR, EFIN, IT  
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